

ROUTING AND TRANSMITTAL SLIP		Date
		10/31/85
To: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Executive Officer, DDA	Ear	31-10
2. ADDA (FYI)	✓	31 OCT 1985
3. DDA	✓	31 OCT 1985
4.		
5. ERO/DDA		1 NOV 1985
Action	File	Note and Return
Approval	For Clearance	For Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

Per your request, attached is OIT's input on the HAC 1986 unclassified budget report (draft)

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: ( )	Room No. - Bldg. 7C-37Ng
	Phone
DC/AG	

5041-102

OPTIONAL FORM 41  
Prescribed by GSA  
FPMR (41 CFR) 101-11.606

ADMINISTRATIVE - INTERNAL USE ONLY

DD/A Registry  
85-3783/5DD/A REGISTRY  
FILE: 38-7 45-8

29 October 1985

STAT

MEMORANDUM FOR:

FROM:

SUBJECT: Draft HAC Unclassified Report

The section of the subject report on General Purpose Automated Data Processing Resources has four guidance items: 1) a prohibition on new starts for major projects ( \$100M lifecycle costs or greater than \$25M in one year ) unless Congress explicitly approves; 2) Use of financing and acquisition plans that ensure lowest overall total cost to the Government; 3) buy-out of all leased office automation equipment; and 4) submission of the fiscal year 1987 budget request for ADP resources at the same level of detail in the relevant exhibits as required for the Department of Defense. My preliminary assessment is that only item 2 will potentially cause us some problems. My experience tells me we (OIT and CIA) are in compliance with the Congressional notification requirement for programs at the dollar level specified. With respect to item 3 (buy-out of office automation equipment), I believe we are in good shape. Almost all Wang equipment is purchased under lease-to-ownership plans (generally two years) and thus complies with the Congressional intent to avoid "uneconomical leasing." Finally, it is not possible to assess the impact of more detailed reporting to Congress on ADP resources because the required level of detail is not described in the package we received. Generally speaking, however, the additional detail, whatever it is, will be burdensome. The detail that is currently required is already burdensome (as you know, I have direct experience in this area, as I was responsible for pulling the ADP exhibits together for the 1986 budget.)

In terms of the guidance on methods of financing and acquisition for ADP resources, I believe we are generally in compliance. In the Spring of 1986, the Information Handling Group of the Office of the Comptroller prepared a study on the cost-effectiveness of the Annual Payment Plan (APP) method. In almost all cases, continuation of the APP plan was less expensive than a single payment (i.e., outright purchase.) The analysis utilized a 10 percent discount rate to handle time-value-of-money (this was the method of analysis prescribed at the time by Government procurement regulations.) I have no reason to believe that the situation, in general, would be different today---i.e., our typical financing method is in line with the proposed Congressional guidance. However, to maintain flexibility, I believe the Congressional language should be modified, to wit:

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...acquisition of ADP equipment in the most economical manner, including outright purchase, unless ADP and contracting officials can specifically justify a method of acquisition and financing that will produce a lower total overall cost to the Government, or the method of acquisition and financing can be otherwise demonstrated to be in the best interest of the Government. (suggested modifications underlined.)

The above suggested addition would cover cases where "lowest cost" is not the overriding issue; e.g., unplanned procurements (i.e., APP's may be necessary if purchase funding is not available); acquisition for test and evaluation (systems life unknown, lease possibly preferred); acquisitions with an unknown systems life (lease-with-option-to-purchase possibly preferred), etc. In the dynamic Agency and OIT environment funding and acquisition flexibility is a necessity. The Congressional language should be modified to reflect that reality.

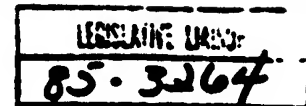
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The Director of Central Intelligence

Washington, D.C. 20505

Intelligence Community Staff

23 October 1985

MEMORANDUM FOR: Mr. Briggs, CIA  
[redacted] NSA  
Mr. Geisen, DIA  
[redacted] SAF/SS  
Mrs. Andrews, DASD(I)/C3I

FROM: Robert D. Kline  
Chief, Legislative Liaison

SUBJECT: Draft HAC Language To Appear in the HAC's Unclassified Report

Attached for your information and use is draft language that will appear in the House Appropriation Committee's unclassified report on the FY 1986 budget, which the Defense Subcommittee staff provided me late yesterday afternoon. My understanding is that the unclassified report will be available late Friday afternoon, or on Monday 28 October 1995.

Attachment:  
As Stated



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45

personnel at the 23rd Air Force to no more than were on board at the end of fiscal year 1984.

10. Because of the importance of Project 46 to the Special Operations Forces, the Air Force is directed to fully fund this effort within resources available.

11. The Air Force is directed to stop delaying the upgrades of command, control, and communications equipment required by the Special Operations Forces and to report to the Committee specific actions being taken in conjunction with the FY 1987 budget request to meet these requirements, including permanent installation of Special Operations Low Level (SOLL) modifications to selected MAC C-130 and C-141 aircraft.

12. The Department is requested to report to the Committee detailed requirements, capabilities, and cost estimates for supporting the Special Operations Forces with the C-17 aircraft.

13. The Navy is directed to provide a report to the Committee outlining specific organizational changes which should be made to preclude the need for Special Operations support staffs belonging to the CINCs or fleet commanders from being diverted to participate in Navy Special Warfare operations missions at the very time the commander is being called upon to utilize this same support staff to plan and execute such a mission.

#### INTELLIGENCE AND INTELLIGENCE RELATED ACTIVITIES

The Committee reviews the intelligence and intelligence related activities budgets with the same intensity and completeness as is afforded other portions of the Department of Defense (DOD) budget. Because of the highly sensitive nature of these activities, the results of the Committee's budget review are published in a separate detailed and comprehensive classified annex to this report. The intelligence community is expected to comply fully with the recommendations and direction in the classified annex accompanying the fiscal year 1986 DOD Appropriation bill.

#### COMMITTEE'S OVERSIGHT FUNCTION

In pursuing its oversight function in the intelligence and intelligence related activities areas, the Committee held numerous separate hearings and briefings which resulted in several thousand pages of transcript and written responses for the record relating to those hearings. Additionally, there were several hundred pages of written responses for the record not related to any specific hearing.

The Committee remains convinced that a continuing, intensive investigative effort of the overall intelligence area is warranted because of the relative isolation of the intelligence community from outside scrutiny. Traditionally, the intelligence agencies generally have been exempt from routine review by the General Accounting Office (GAO) except in a limited number of instances. The GAO review efforts primarily encompass the intelligence related activities areas.

Over the years, the investigative efforts of the Committee's Surveys and Investigations Staff have served a common good, both in furthering and assisting in the Committee's oversight function, and in identifying important issues for the intelligence community.

PART A

S-051379 0045(01)(16-OCT-85-04:38:29) F1402.DOC 04/1/86 CT : 6 1985

46

These investigative studies will be continued. The Committee has authorized additional reviews involving the intelligence community which will permit the Committee to ensure that the agencies of the intelligence community are complying with previous Congressional directives and recommendations. Additionally, these efforts will assist in the discovery of new problem areas or issues requiring both Committee action and remedial measures by the intelligence agencies affected.

#### NATIONAL FOREIGN INTELLIGENCE PROGRAM

The National Foreign Intelligence Program consists of those intelligence activities of the Government which provide the President, other officers of the Executive Branch, and the Congress with national foreign intelligence on broad strategic concerns bearing on U.S. national security. These concerns are stated by the National Security Council in the form of long-range and short-range requirements by the principal users of intelligence, and include political trends, military balance trends, economic trends, treaty monitoring and support to military theater commanders.

The National Foreign Intelligence Program budget funded in the Department of Defense Appropriation Act consists primarily of resources of the Central Intelligence Agency, the Office of the Secretary of Defense, the Defense Intelligence Agency, the National Security Agency, the Departments of the Army, Navy, and Air Force, the Intelligence Community Staff of the Director of Central Intelligence, and the CIA Retirement and Disability System Fund.

The Committee has recommended a substantial reduction in the fiscal year 1986 National Foreign Intelligence Program budget, the details of which are explained in the classified annex to this report. In spite of this reduction, funding growth is provided, and the Committee believes that the funds recommended are adequate to support a viable National Foreign Intelligence Program in the forthcoming fiscal year.

#### NICARAGUAN DEMOCRATIC RESISTANCE

The Committee has included bill language identical to that contained in the House passed Intelligence Authorization bill providing that during fiscal year 1986, no funds available to the Central Intelligence Agency, Department of Defense, or any other agency or entity of the United States involved in intelligence activities may be obligated or expended, directly or indirectly, for material assistance to the Nicaraguan democratic resistance including arms, ammunition, or other equipment or material which could be used to inflict serious bodily harm or death, or which would have the effect of providing arms, ammunition or other weapons of war for military or paramilitary operations in Nicaragua by any group, organization, movement, or individual.

Additional bill language was included to clarify that nothing in the above described section of the bill "shall be construed to impair or affect the authority of the Nicaraguan Humanitarian Assistance Office to administer humanitarian assistance to the Nicaraguan democratic resistance of the nature and to the extent provided by, and under the terms and conditions specified in, the Supplemental

PART A

S-051379 0044(01)(16-OCT-85-04:38:31) F0002.DOC 04/1/85

47

Appropriations Act, 1985 (Public Law 99-88)." The Central Intelligence Agency is prohibited from participation in any of the activities of the Nicaraguan Humanitarian Assistance Office.

As agreed by the Congress in enacting the fiscal year 1985 Supplemental Appropriations bill, nothing in this provision shall be construed to prohibit the United States Government from exchanging information with the Nicaraguan democratic resistance.

#### QUALITY OF JUSTIFICATION MATERIAL

By the very nature of the appropriations process, the Committee is highly dependent upon the individual agencies whose budgets are being reviewed for the great bulk of information necessary in producing the annual Defense Appropriation bill. Since alternative sources for acquiring information on highly classified programs are virtually non-existent, this dependency is especially evident in reviewing the annual budget request for intelligence and other compartmented programs.

While some organizations such as the National Security Agency submit well documented budget justification material supplemented by timely and responsive answers to specific additional requests made by the Committee, other organizations are clearly remiss in the adequacy of the justification provided for the substantial appropriations being requested. The Committee wishes to remind the Director of Central Intelligence of the Committee's traditional policy that it is incumbent upon him and the organizations he oversees to provide adequate detailed justification for every dollar being requested of the Congress upon submission of the budget each year. In the future, failure to comply with this policy may force the Committee to recommend no funding for programs which might have contributed to our national intelligence capability, but which were not adequately justified.

#### GENERAL PURPOSE AUTOMATED DATA PROCESSING RESOURCES

Over the last several years, the Committee has become increasingly concerned with the lack of adequate management of general purpose ADP in the national security activities of the Executive Branch. Elsewhere in this report, the Committee discusses in detail some of the findings resulting from the most recent in-depth investigation into this area.

The Committee wishes to make it clear that the general thrust of the guidance contained in this major review of ADP resources should be considered to apply to the intelligence community as well. In particular, the following guidance should be clearly implemented within the intelligence community: a prohibition on new starts of major automated information systems (\$100,000,000 life cycle costs or \$25,000,000 in one year) unless previously submitted to the Congress in a budget submission for that fiscal year or approved in a reprogramming request; acquisition of ADP equipment in the most economical manner, including outright purchase, unless ADP and contracting officials can specifically justify a method of acquisition and financing that will produce a lower total overall cost to the Government; a program to buy out uneconomical leasing of office automation equipment; and submission of ex-

\* OIT

PART A

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48

hibits 43A and 43B or an equivalent type of ADP justification with the fiscal year 1987 budget request at the same level of detail that has been directed for the Department of Defense.

#### REFORM OF PROCUREMENT MANAGEMENT

As a result of reviews by this Committee as well as other interested Congressional Committees, of internal investigations by Department of Defense audit and inspection organizations, of investigative journalism by the various media, and of dedicated individual military and civilian workers who would not accept bureaucratic resistance and inaction, significant new procurement management reforms are being implemented to ensure that the best possible defense is purchased for the least possible price. However, the Committee is concerned that by the very nature of the business conducted by the intelligence community, the same vigorous and far reaching scrutiny may not be available to highlight where improvement is needed in the procurement practices of these organizations. As a result, the Committee is directing that the Director of Central Intelligence provide a report to the Committee no later than March 1, 1986 evaluating the effectiveness of the procurement policies of the intelligence community, specifically addressing, but not being limited to, the following issues: initiatives implemented over the last few years; potential for increasing competition; volume of sole source contracts; adequacy of contractor performance; types of contracts used; cost overruns; overhead cost control; overspecification; contract audit and inspection; reverse engineering; "should cost" reviews; and overpricing. In addition, the Director of Central Intelligence should consult with the Inspector General of the Department of Defense to ascertain the procurement forms implemented, or being implemented, in the Department of Defense which the Inspector General believes will be of significant benefit there, and comment on the extent to which these reforms may be applicable to, or have been implemented in, the intelligence community. The DCI should ensure that the report to the Committee addresses the status of any reforms being implemented, future initiatives which may be implemented, savings produced, and future goals.

#### BUDGETING FOR PROJECTED INFLATION

Over the past several years, the Department of Defense has worked with the Congress to ensure that the amounts budgeted for inflation are readily visible. While there may not be universal agreement as to the appropriate amount to be included for inflation in the annual Defense Appropriations bill, at least the Department has made significant strides in attempting to justify the amount requested as being based upon some index associated with fuel, procurement items, or expense items, or based upon specifically signed and legally binding contracts with escalation clauses.

The Committee has some concern that the same rigor in justifying projected inflation in the budget request is not pursued in the intelligence community. Therefore, the Committee is requesting that, as a part of the fiscal year 1987 budget request, the Director of Central Intelligence provide a breakout by intelligence program for each appropriation, the amount of inflation included, and

*Procurement Study  
is underway by  
\* OL*

*Continue the Study of Proc  
Board for D/C.  
due DEC 85*

PART A



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49

supply to the Committee specific supporting documentation to indicate the basis for the request.

#### INTERNATIONAL TERRORISM

In his Annual Report to the Congress, the Secretary of Defense stated that "the United States will continue to seek a more active defense against terrorist attacks throughout the world." The Committee fully supports maintaining an active defense against terrorism. It is noted, however, that unlike conventional or nuclear war an active defense against terrorism does not require hundreds of billions of dollars in hardware nor millions of troops. Given the relatively small allocation of resources necessary, the Committee believes that counter-terrorism programs should be given a top priority, especially by the intelligence services, since the terrorist threat is the most likely one to be faced by the U.S. in the near term.

#### CIVILIAN PAY REDUCTION RESTORATION

As discussed elsewhere in the Committee report, the Congress has rejected the President's proposal for a five percent reduction in civilian pay for fiscal year 1986. As a result, the fiscal year 1986 budget request as submitted by the President does not fully fund the civilian pay requirements for the intelligence community. In recommending elsewhere in this report the restoration of fifty percent of the required additional funding for all agencies and activities funded in this bill, the Committee expects the intelligence community not only to receive a proportionate share of the additional funds being provided above the President's request, but also to accommodate a "fair share" of the absorption required. The Director of Central Intelligence is requested to provide a report to the Committee on precisely how the absorption has been allocated by intelligence activity as a part of the fiscal year 1987 budget submission.

#### INTERNAL AUDIT AND INSPECTION PROGRAM

Over the past decade, the Committee has increasingly relied upon the many outstanding reports produced by the various audit agencies of the Department of Defense. The Committee has found these reports to be invaluable in evaluating the success or failure of the thousands of programs requiring billions of dollars in defense expenditures each year. Because of the relative isolation of the intelligence community as discussed previously, the Committee intends to ensure that the intelligence community maintains a strong and aggressive internal audit function. Full compliance by the intelligence community with the provisions of the classified annex will fulfill this objective.

#### TACTICAL INTELLIGENCE AND RELATED ACTIVITIES PROGRAMS

The Department of Defense Tactical Intelligence and Related Activities (TIARA) encompass a diverse array of reconnaissance, surveillance and target acquisition programs which are primarily a functional part of the basic military force structure, and provide direct information support to combat operations. TIARA includes those activities outside the General Defense Intelligence Program

PART A

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50

which respond to operational command tasking for time-sensitive information as well as to national communications, command, control, and intelligence requirements.

A precise estimate of the impact of the Committee's recommended funding for the TIARA programs cannot be calculated at this time. Since the Committee's recommended reduction of \$2.7 billion for the "inflation premium" and the "inflation fairness adjustment" impact on numerous accounts which include TIARA programs, the precise impact of those reductions on the TIARA aggregation of programs is yet to be determined. In addition, since the Committee has made a general reduction in the Strategic Defense Initiative (SDI) program, the impact of that reduction on the SATKA (Surveillance, Acquisition, Targeting and Kill Assessment) subprogram, (which is within the TIARA aggregation of programs) cannot be determined at this time.

Explanations of the Committee's specific recommendations for TIARA programs appear in the appropriate sections of this report and/or in the classified annex. The funding provided for TIARA represents substantial real growth, which the Committee feels will fully support these activities in the forthcoming fiscal year.

#### ~~Communications, Command and Control~~

The Committee reviews communications, command and control (C<sup>3</sup>) on a functional basis rather than on an appropriations basis. This functional approach is required since these activities affect almost every aspect of DOD operations and can be reviewed more effectively as a coherent whole rather than as separate pieces. The detailed description of the Committee's actions in regard to these activities follows:

#### C<sup>3</sup> PROGRAMS

Appropriations, 1985	\$18,500,000,000
New obligation authority, 1986:	
Estimate	21,200,000,000
Recommended	20,116,884,000
Reduction	1,083,116,000
Total recommended in the bill	20,192,042,000

<sup>1</sup> Includes \$20,116,884,000 in new obligation authority, and in addition \$75,158,000 to be derived by transfer from prior year unobligated balances.

The Committee recommends a total of \$20,116,884,000 for the C<sup>3</sup> programs of the Department of Defense. This is a reduction of \$1,083,116,000 from the budget request.

Although the reduction appears to be somewhat substantial, it should be noted that the funds to be provided in fiscal year 1986 and already provided in other recent defense budgets have and will provide significant growth and modernization in the entire range of DOD's communications, command and control programs.

#### CHANGES TO BUDGET REQUEST FOR C<sup>3</sup> PROGRAMS

The following table compiles the recommended changes in the budget for communications, command and control programs requested in fiscal year 1986. Explanations of the recommended changes occur in the appropriate section of the report; i.e., Army

PART A

85-3785/4

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

House Appropriation Committee's Draft Report

FROM:

AC/PMS/OL

EXTENSION

NO.

DATE

31 October 1985

TO: (Officer designation, room number, and building)

DATE

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INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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EO/DDA  
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DDA REGISTRY

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USE PREVIOUS  
EDITIONS

GPO : 1983 O - 411-632

85-3785/4

31 October 1985

MEMORANDUM FOR: Executive Officer to the  
Deputy Director for Administration

FROM:

  
Acting Chief, Procurement Management Staff/OL

SUBJECT: House Appropriation Committee's Draft Report

1. In regards to our conversation on 29 October about the draft House Appropriation Committee's (HAC) report you asked the Office of Logistics (OL) to review, I believe that the undertaking of reporting on Procurement Management, as called for in the draft, is far beyond the capability of OL or anyone else I am aware of in the Agency. We do not even have access to the Office of Development and Engineering side of the house, let alone information regarding other Intelligence Community (IC) agencies. To gather this type of information for strictly Agency programs would require a task force consisting of contracting, technical, audit, and Inspector General personnel. Alternatively, we could let the General Accounting Office come in and do it, which I don't think we want to do.

2. Regarding a report for all of the IC, I suppose the Director of the Central Intelligence, in his role as head of the IC, could request each IC agency to provide the information HAC wants, but, again, I do not know whether or not this is feasible or practicable.

cc: C/IMSS/OL

*COMPTROL/AC*  
5 NOV 1985

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7 November 1985

DDA 85-3785/2

DDA REGISTRATION 45-8  
FILE: 30-7

MEMORANDUM FOR: Comptroller  
Deputy Chief, Legislative Division,  
Office of Legislative Liaison

FROM: Harry E. Fitzwater  
Deputy Director for Administration

SUBJECT: Committee Report on Department of Defense Appropriations  
Bill for FY 86 Concerning Procurement Reform for the  
Intelligence Community

STAT 1. The Agency is fully cognizant of its obligation to practice good procurement management. However, because of our unique mission and the DCI's special authority, the Agency's procurement system is not compatible with other organizations in the Intelligence Community. Therefore, we defer to [redacted], Director, Intelligence Community Staff, to report on the remainder of the Intelligence Community.

2. In regards to reporting on our procurement system (excluding NRO), we would have no problem in reporting on such things as our initiatives to increase competition, volume of sole-source contracts, adequacy of contractor performance, contract overruns, and audit and Inspector General (IG) inspections. The more difficult, time-consuming, and resource-required items involve reporting on overhead cost control, overspecification, reverse engineering, "should cost" revenues and overpricing. A meaningful review of these items would require a dedicated task force consisting of contracting, technical, audit, legal and IG personnel, and could not be done within the time frame proposed. The HAC does not recognize the complexity or scope of the reporting that they are requiring. Nor are they considering the security implication in that the report would almost certainly require us to reveal the names of classified contractors and classified programs with the possibility of jeopardizing certain sources and methods. Also, HAC should be reminded that in the 1981-82 time frame, two HAC staffers spent approximately six months examining the Agency's procurement system and practices, including OD&E; the results of their review were positive. In addition, a GAO review of certain FY-84 year-end contract awards by the Agency was conducted and again the report was positive.

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3. Before the Congress asks the Agency to report as suggested by HAC, the following aspects should be brought to their attention:

- a. The Agency cannot report for the entire Intelligence Community.
- b. The time frame suggested for the report is unrealistic, at least six months would be required.
- c. The reporting suggested is extremely resource driven and would hamper normal day-to-day operations.
- d. The Agency's unique mission and authority make our procurement practices incompatible with the procurement systems of other government agencies.
- e. In recent investigations by HAC and GAO, our procurement methods were given high grades.

4. Ideally, it would be best if CIA could be exempt from reporting as suggested by HAC. If that is not possible, then we should ask to report the items that would put the least strain on our resources. If possible, we should try to avoid reporting on resource oriented requirements.

STAT

  
Harry E. Fitzwater

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**WORK COPY****ROUTING AND RECORD SHEET**

82-3785/1

**SUBJECT:** (Optional)**FROM:**Executive Officer to the DDA  
7D24 Headquarters**EXTENSION****NO.****DATE****TO:** (Officer designation, room number, and building)**DATE****RECEIVED****FORWARDED****OFFICER'S INITIALS****COMMENTS** (Number each comment to show from whom to whom. Draw a line across column after each comment.)1. Comptroller  
7C36 Headquarters

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Danny,

Hope you are able to get the Senate's help in watering down (in Joint Committee) HAC's proposal for this review of contracting practices in the intelligence community. It is going to be a major undertaking to get the info released from OD&E and other S&T contracting elements. How are we going to discuss NRO vs. CIA funding of procurement? Our procurement operation does not have much to do with reverse engineering and will require a lot of effort to evaluate over specification and over pricing. We do things differently than Defense because we simply do not have the manpower committed to the procurement operation. I think the total number of procurement officers in CIA\* is less than [ ] and we are currently recruiting for [ ] vacancies. Assume you are aware that two HAC investigators were in OL about four years ago for six consecutive months. They were retired FBI officers who lived in Vienna and we got along with them very well in [ ]. There were no problems but we are unaware as to what their report said. They were allowed to look into anything they wanted. They later looked at the DDS&T and OD&E.

\*and  
NIESO

ROUTING AND TRANSMITTAL SLIP		Date
		5 November
TO: (Name, office symbol, room number, <i>etc/one</i> building, Agency/Post) <i>acting dda</i>		Initials Date
1. DDA - Mr. Fitzwater		
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Action	File	Note and Return
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Coordination	Justify	

## REMARKS

Attached for your information is a copy of P. 48 of the Committee report of the Department of Defense Appropriations Bill for 1986. The report directs the DCI to evaluate the procurement policies of the Intelligence community and report back to the Defense Appropriations Committee by 1 March 1986. In addition, the DCI is required to consult with the IG of the Department of Defense to determine procurement reforms.

The Intelligence Community Staff is now considering what we should do about this provision in the Committee report. We would appreciate your comments.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, and similar actions

FROM	<div style="border: 1px solid black; width: 150px; height: 40px;"></div>	Room No.—Bldg. 7B 14
	y/Post)	Phone No.
Deputy Chief, Leg/Oll		

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\* U.S.G.P.O. 1983 - 421-529/320

OPTIONAL FORM 41 (Rev. 7-76)  
Prescribed by GSA  
FPMR (41 CFR) 101-11.206



7 November 1985  
DDA 85-3785/1

COMMENTS FOR: Comptroller  
Deputy Chief, Legislative Division,  
Office of Legislative Liaison

FROM: Edward F. Mitchell  
Executive Officer to the DDA

SUBJECT: Committee Report on Department of Defense Appropriations  
Bill for FY 86 Concerning Procurement Reform for the  
Intelligence Community

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The Office of Logistics [ ] Acting Chief, Procurement Management Staff/OL) and the Executive Officer to the DDA [ ] have carefully reviewed the referenced committee report and considered Deputy Chief, Legislative Division/OLL guidance contained in OLL 85-3414 of 5 November 1985. We have discussed our findings with the Deputy Director for Administration and offer the following comments:

1. Certainly, if the appropriations committee and the Congress of the United States want the Agency to evaluate the effectiveness of CIA's procurement policy, it will be done and a report will be prepared prior to 1 March 1986. Evaluating the effectiveness of CIA's procurement policy and specifically addressing those items contained on page 48 of the House Appropriations Committee report [on HR 3629 DoD FY 1986 Appropriations Bill] will create a number of challenges for the Office of Logistics and the Directorate of Administration. Because of the way in which CIA procurement is organized and conducted in a decentralized manner, many procurement programs are not within the day to day purview of the Office of Logistics. They do not have access to the Office of Development and Engineering side of the House. To gather the information needed for Agency programs, we must establish a task force consisting of contracting, technical, audit and inspector general personnel. This can be done even though it will require substantial resources be diverted from other priority tasks. We believe a 1 June 1986 reporting date is more appropriate and would permit CIA sufficient time to prepare a more meaningful review and report. The report certainly should be submitted through HPSCI to keep this information within our oversight structure and to facilitate protection of sources and methods. The DDA defers to [ ] [ ] Director, Intelligence Community Staff, concerning the ability of the DCI to provide a similar report for the entire intelligence community.

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**SUBJECT: Committee Report on Department of Defense Appropriations  
Bill for FY 86 Concerning Procurement Reform for the  
Intelligence Community**

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2. We agree with  comments in his 5 November memorandum that if a report must be rendered, it is best that the intelligence community do it "in house." Also, we in no way wish to aggravate the Congress in placing obstacles in carrying out their instructions. The Congress has concerns with aspects of defense procurement and it is understandable that they would like to be assured that a similar problem does not exist in the intelligence community.

STAT



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**EXO/DDA**  : (7 November 1985)

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ROUTING AND TRANSMITTAL SLIP		Date
		5 November
TO: (Name, office symbol, room number, &c./Bldg. Building, Agency/Post)		Initials Date
1. <del>DDA Mr. Fitzmaurice</del>		
2.		
3. DDA Registry		
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Action	File	Note and Return
Approval	For Clearance	For Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

## REMARKS

Attached for your information is a copy of P. 48 of the Committee report of the Department of Defense Appropriations Bill for 1986. The report directs the DCI to evaluate the procurement policies of the Intelligence community and report back to the Defense Appropriations Committee by 1 March 1986. In addition, the DCI is required to consult with the IG of the Department of Defense to determine procurement reforms.

The Intelligence Community Staff is now considering what we should do about this provision in the Committee report. We would appreciate your comments.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, and similar actions

FROM: [Redacted]	Room No.—Bldg.
Agency/Post)	7B 14
Deputy Chief, Leg/Oll	Phone No.

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OLL 85-3414  
5 November 1985

MEMORANDUM FOR: DDA ✓  
DDS&T  
COMPTROLLER  
D/OL  
C/ALD/OGC  
DC/ICLD/OGC  
C/LP&S/OGC

DDA REGISTRY  
FILE

STAT

FROM:   
DC/LD/OLL

SUBJECT: Committee Report on Dept of Defense  
Appropriation Bill for FY 86 concerning  
Procurement Reform for the Intelligence  
Community

1. Attached for your review and comment is part of an Appropriations Committee Report on H.R. 3629, the DOD appropriation bill for FY 1986. It concerns "procurement management reform" for the Intelligence Community. More specifically, the report requires the DCI to file a report with the Appropriations Committee evaluating the effectiveness of procurement policies of the Intelligence Community. While this requirement is part of the committee report, it is not part of the bill.

2. There is no equivalent provision in the Senate bill. On October 30, 1985, H.R. 3629 passed the House. The Senate Appropriations Committee is now working on the House bill. It is expected that the Senate will act on their version the week of November 11th and a Conference on the House and Senate versions will be held the week of 18th of November.

3. While this report may cause some concern, it should be borne in mind that it is the DCI who is asked to do the study and not some outside authority. In other words the DCI remains in control. Simply stated it is an "intelligence community in house" evaluation. Next, should we vigorously oppose this relatively straight forward request for a self evaluation, will not Congressional suspicions be aroused? In view of media attention given to procurement reform, Congress could come back at the Intelligence Community with something even less to our liking than what is now prescribed on page 48.

4. Since a conference on the House and Senate versions of the bill is tentatively scheduled for the week of November 18th, please provide your comments by November 12th.

STAT



Attachment:  
as stated

Distribution:  
Original - Addressees  
1 - D/OLL  
1 - DD/OLL  
1 - OLL Record  
1 - OLL Chrono  
1 - LEG Subject (Procurement)  
1 - JBM Chrono  
LEG/OLL:JBM:dpt (5 Nov 85)

partment of Defense audit and inspection organizations, of investigative journalism by the various media, and of dedicated individual military and civilian workers who would not accept bureaucratic resistance and inaction. significant new procurement management reforms are being implemented to ensure that the best possible defense is purchased for the least possible price. However, the Committee is concerned that by the very nature of the business conducted by the intelligence community, the same vigorous and far reaching scrutiny may not be available to highlight where improvement is needed in the procurement practices of these organizations. As a result, the Committee is directing that the Director of Central Intelligence provide a report to the Committee no later than March 1, 1986 evaluating the effectiveness of the procurement policies of the intelligence community, specifically addressing, but not being limited to, the following issues: initiatives implemented over the last few years; potential for increasing competition; volume of sole source contracts; adequacy of contractor performance; types of contracts used; cost overruns; overhead cost control; overspecification; contract audit and inspection; reverse engineering; "should cost" reviews; and overpricing. In addition, the Director of Central Intelligence should consult with the Inspector General of the Department of Defense to ascertain the procurement reforms implemented, or being implemented, in the Department of Defense which the Inspector General believes will be of significant benefit there, and comment on the extent to which these reforms may be applicable to, or have been implemented in, the intelligence community. The DCI should ensure that the report to the Committee addresses the status of any reforms being implemented, future initiatives which may be implemented, savings produced, and future goals.

#### BUDGETING FOR PROJECTED INFLATION

Over the past several years, the Department of Defense has worked with the Congress to ensure that the amounts budgeted for inflation are readily visible. While there may not be universal agreement as to the appropriate amount to be included for inflation in the annual Defense Appropriations bill, at least the Department has made significant strides in attempting to justify the amount requested as being based upon some index associated with fuel, procurement items, or expense items, or based upon specifically signed and legally binding contracts with escalation clauses.

The Committee has some concern that the same rigor in justifying projected inflation in the budget request is not pursued in the intelligence community. Therefore, the Committee is requesting that, as a part of the fiscal year 1987 budget request, the Director of Central Intelligence provide a breakout by intelligence program for each appropriation, the amount of inflation included, and supply to the Committee specific supporting documentation to indicate the basis for the request.

#### INTERNATIONAL TERRORISM

In his Annual Report to the Congress, the Secretary of Defense stated that "the United States will continue to seek a more active defense against terrorist attacks throughout the world." The Com-

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